

Message Text

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FM AMEMBASSY KAMPALA

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UNCLAS KAMPALA 1982

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TAGS: EGEN ETRD ECON EFIN EIND UG

SUBJECT: GOU BUDGET SPEECH

SUMMARY: ACTING MINISTER OF FINANCE GERIA GAVE GOU BUDGET SPEECH JUNE 14. SPEECH WAS SURPRISINGLY CANDID IN PRESENTING GLOOMY STATISTICS. ECONOMY IS STAGNATING AND NO IMPROVEMENT MEASURES ANNOUNCED WITH EXCEPTION NEW TAXES. END SUMMARY.

1. IN INTRODUCTION TO BUDGET, GERIA STRESSED THEME OF SELF RELIANCE AND CHALLENGE FOR UGANDA. HE MENTIONED CUT- OFFS IN AID FROM INDIVIDUAL DONOR NATIONS BUT SAID UGANDA WOULD CONTINUE SEEKING ASSISTANCE FROM INTERNATIONAL INSTITUTIONS. CITING SHORTAGES, GERIA SAID GOU HAD APPOINTED AGENTS FOR INDUSTRIES AND FARMS TO MANAGE THEM UNTIL INDIVIDUAL UGANDAN WERE CAPABLE OF THE JOB. SHORTAGES WOULD BE SOLVED BY NEW SOURCES OF SUPPLY WHEN NEW BUSINESSMEN LEARN THEIR RESPONSIBILITIES. SOME EFFORTS, HE SAID, HAVE BEEN FRUSTRATED BY " ENEMIES ABROAD." TECHNICAL ASSISTANCE, MAINLY FROM OTHER AFRICAN COUNTRIES, IS BEING RECRUITED. GERIA STATED PAST PICTURE OF ECONOMY WAS GLOOMY BUT FUTURE WASN' T NECESSARILY SO. " THE STRUGGLE WOULD NOT BE EASY BUT WITH DEDICATION AND HARD WORK WE WILL SUCCEED."

2. AGRICULTURE: COFFEE PRODUCTION UP 5.5 PERCENT TO 185,000 MTONS
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IN 71/72. TOBACCO UP 29.4 PERCENT TO 4,400 MTONS 71/72. TEA UP 35 PERCENT TO ESTIMATED 23,500 MTONS IN 72. COTTON ACREAGE UP BUT PRODUCTION DOWN. SUGAR DOWN FROM 141,300 MTONS TO 121,400 MTONS.

3. GDP GROWTH IN REAL TERMS 1.2 PERCENT FOR 1972. GDP PER CAPITA AT 1966 PRICES 700 SHILLINGS.

4. INDUSTRY: DECLINE IN COTTON GINNING, COFFEE CURING AND SUGAR MFG AS WELL AS COPPER PRODUCTION (15,700 MTONS TO 14,100 MTONS). FORESTRY, FISHING, HUNTING UP. TEXTILES AND BEER (PLUS 8.4 PERCENT) UP. CEMENT, SAWMILLING AND MISCELLANEOUS METAL INDUSTRIES DOWN. CONSTRUCTION DOWN 6.4 PERCENT AND COMMERCIAL D EOR DOWN 11 PERCENT.

5. INTERNATIONAL TRADE: FAVORABLE VISIBLE TRADE BALANCE OF 1,038 MILLION SHILLINGS. EXPORTS UP BY 10.7 PERCENT TO 1,851 MILLION SHILLINGS. IMPORTS DOWN 40.3 PERCENT TO 813 MILLION SHILLINGS. DEFICIT IN EAC TRADE OF 188 MILLION SHILLINGS, AN IMPROVEMENT OVER LAST YEAR.

7. BALANCE OF PAYMENTS: CURRENT ACCOUNT (INCLUDING TRANSFERS) SURPLUS OF 93.5 MILLION SHILLINGS WHICH INCLUDES ADJUSTED TRADE BALANCE OF PLUS 481.5 MILLION SHILLINGS. CAPITAL ACCOUNT DEFICIT OF 90.9 MILLION SHILLINGS. THIS DUE TO REDUCED NET INFLOW ON OFFICIAL ACCOUNT AND INCREASED NET OUTFLOW ON PRIVATE ACCOUNT. OVERALL SURPLUS OF 35.5 MILLION IN BOP.

8. NET EXTERNAL RESERVES SAID TO HAVE INCREASED BY 35.5 MILLION. PRESUMABLY THIS IS DEC. 72 POSITION COMPARED TO DEC. 71 POSITION WHICH SHOWED NET FOREIGN ASSETS AT 138.4 MILLION SHILLINGS.

9. NET DOMESTIC CREDIT DEC. 72 WAS 2,356.4 MILLION SHILLINGS, A 29.4 PERCENT INCREASE. (1970-71 INCREASE WAS 25.4 PERCENT). PRIVATE SECTOR INCREASE WAS 7 PERCENT. GOVERNMENT INCREASE WAS 496.7 MILLION SHILLINGS.

10 M MONEY SUPPLY (CURRENCY AND DEMAND DEPOSITS) 1, 517.8 MILLION AS OF DEC. 72, A 34.1 PERCENT INCREASE. (70-71 INCREASE WAS 2.6 PERCENT). BULK OF INCREASE IN DEMAND DEPOSITS, UP 363.9 MILLION (16.8 PERCENT). QUASI MONEY UP 7 PERCENT (UP 65 MILLION UNCLASSIFIED

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SHILLINGS).

11. GOU REVENUES: CUSTOMS DUTY REVENUE ESTIMATE FOR 72/73 WAS 255 MILLION SHILLINGS. REVISED ESTIMATE DOWN 29.4 PERCENT TO 180 MILLION SHILLINGS. SALES TAX REVENUE ESTIMATE FOR 72/73 WAS 316 MILLION. REVISED ESTIMATE DOWN APPROXIMATELY 50 PERCENT. EXCISE DUTY DOWN. INCOME TAX ESTIMATE FOR 72/73 WAS 350 MILLION SHILLINGS. REVISED ESTIMATE DOWN 100 MILLION SHILLINGS OR 28 PERCENT. OTHER REVENUE SOURCES ALL DOWN. TOTAL RECURRENT REVENUE ESTIMATE DOWN FROM 1,525 TO 1,006 MILLION SHILLINGS, OR ABOUT ONE- THIRD.

12. RECURRENT BUDGET: REVISED RECURRENT EXPENDITURE DOWN ONE

MILLION SHILLINGS TO 1,429 MILLION. RESULT, DEFICIT RECURRENT BUDGET OF 423 MILLION.

13. DEVELOPMENT BUDGET: RESOURCES ESTIMATE REVISED FROM 246 MILLION TO 213 MILLION. EXPENDITURE REVISED FROM 640 MILLION TO 510 MILLION. CURRENT DEVELOPMENT BUDGET DEFICIT OF 297 MILLION.

14. THE REVISED DEVELOPMENT DEFICIT UP TO JUNE 1972 WAS 1,067 MILLION SHILLINGS AND THEREFORE THE TOTAL CUMULATIVE DEVELOPMENT DEFICIT TO JUNE 1973 WILL BE 1,364 MILLION SHILLINGS.

15. 1973/74 BUDGET: EXCLUDING NEW TAXATION MEASURES (BELOW) RECURRENT REVENUE ESTIMATED AT 1,241 MILLION SHILLINGS. RECURRENT EXPENDITURE PEGGED TO THIS FIGURE. DEVELOPMENT RESOURCES (EXCLUDING HOPED- FOR ADDITIONAL EXTERNAL ASSISTANCE) IS 247 MILLION (75 PERCENT INTERNAL). EXPENDITURE ESTIMATED AT 488 MILLION. DEFICIT PROPOSED: 241 MILLION.

16. NEW CUSTOMS DUTIES: MINOR CHANGES ONLY IN CUSTOMS DUTIES (FISCAL ENTRY) EXCEPT THAT GOODS IMPORTED FOR EAC OR GOVERNMENT NOW DUTIABLE. EXCEPTIONS ARE PETROLEUM, AIRCRAFT, RAILWAY EQUIPMENT, TELECOMMUNICATIONS EQUIPMENT, SHIPS AND LIFTING MACHINERY.

17. SALES TAXES: WIDE RANGE ITEMS HAVE HAD SALES TAX INCREASED FROM 10 TO 15 PERCENT AD VALOREM. OTHER MINOR TAX ADJUSTMENTS. BEER TAX INCREASED BY 30 UGANDA CENTS PER HALF LITRE BOTTLE. CIGARETTE TAX WILL ADD BETWEEN 0 AND 10 CENTS PER PACK DEPENDING ON BRAND. GOVERNMENT PURCHASES NOW SUBJECT TO SALES TAX.
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18. COMMERCIAL TRANSACTIONS LEVY EXTENDED TO MANUFACTURERS, WHOLESALERS, AND MOST RETAIL OUTLETS (EXCEPT PUBLIC MARKETS). LEVY RANGES FROM 10 CENTS TO ONE SHILLING PER TRANSACTION. APPLIES ONLY IN 26 LISTED TOWNS.

19. COFFEE EXPORT DUTY AND AIRPORT SERVICE TAX (TO 20 SHILLINGS) RAISED.

20. NEW " SPECIAL BUSINESS LEVY": PERSONS RECEIVING ABANDONED ASIAN BUSINESSES LIABLE FOR ONE- TIME TAX AMOUNTING TO PRESENT ANNUAL RENT FOR BUSINESS PREMISES.

21. MOTOR VEHICLE LICENSING FEES INCREASED BETWEEN 30 AND 60 SHILLINGS PER ANNUM.

22. AIRGRAM WITH FULL TEXT, ANALYSIS AND COMMENT FOLLOWS.
KEELEY

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